INVESTMENT ADVISORY COUNCIL
Wednesday, March 13, 2013

MEETING NO. 403

Members present:	Neil G. Budnick, Chairman Janice (Jan) Carpenter Michael Freeman Joshua Hall David (Duke) Himmelreich William Murray Denise L. Nappier, Treasurer Carol Thomas Peter Thor
Absent:	Thomas Fiore, representing Benjamin Barnes Laurence N. Hale
Others present:	Christine Shaw, Deputy Treasurer Lee Ann Palladino, Chief Investment Officer Gary Carter, Interim Deputy Chief Investment Officer Francis Byrd, Assistant Treasurer - Policy/Corporate Governance Gregory Franklin, Assistant Treasurer Catherine LaMarr, General Counsel Shelagh McClure, Director of Compliance Joanne Dombrosky, Principal Investment Officer Terrence Purcell, Principal Investment Officer Cherie Santos-Wuest, Principal Investment Officer Michael Terry, Principal Investment Officer David Barrett, Director of Communications Laura Jordan, Executive Assistant Linda Tudan, Executive Assistant Winifred (Winnie) Scalora, Executive Secretary
Guests:	Melissa Albanesi, State Street Global Advisors Bradley Atkins, Franklin Park Associates Richard Charlton, NEPC, LLC Jeanna Cullins, Hewitt EnnisKnupp, Inc. Ed DeDomenico, Halcion Mary Dunleavy, State Street Bank & Trust Company Sean Gill, NEPC, LLC Will Greene, Loop Capital Markets Peter Hill, Hewitt EnnisKnupp, Inc. Robin Kaplan-Cho, Connecticut Education Alex Kamunya, NEPC, LLC Dan Kim, Hewitt EnnisKnupp, Inc.

Rob Kochis, The Townsend Group
Louis Laccavole, SOC Teachers' Retirement Board
Claire Shaughnessy, Hewitt EnnisKnupp, Inc.
Johnson Shum, State Street Bank and Trust Company
Michael Stark, The Townsend Group
Daniel Stern, Cliffwater LLC
Kevin Vandolder, Hewitt EnnisKnupp, Inc.
Jacob Walthour, Cliffwater LLC
Gabrielle Zadra, Cliffwater LLC

With a quorum present, Chairman Neil G. Budnick called the Investment Advisory Council ("IAC") meeting to order at 9:05 a.m.

Approval of Minutes of the February 13, 2013 IAC Meeting

Chairman Budnick called for a motion to approve the minutes of the February 13, 2013 IAC meeting. **There being no comments, a motion was made by Janice Carpenter, seconded by Carol Thomas, that the minutes of the February 13, 2013 IAC meeting be accepted as drafted. The motion was passed unanimously.**

Comments by the Treasurer

Treasurer Denise L. Nappier began her comments by highlighting the positive performance of the Connecticut Retirement Plans and Trust Funds ("CRPTF") as of January 31, 2013. She reported that performance results as of January 31, 2013 were a very sound 10.04%, 11.94% and 9.57% for the fiscal year-to-date, one-year and three-year periods, respectively all above the actuarial return assumptions of 8% and 8.5%. Treasurer Nappier also reported that the growth for the ten-year performance at 7.64%, up from 7.28% just last month, showed continued progress in the narrowing of the gap toward the targeted return.

Treasurer Nappier then introduced three recent appointments to fill vacancies in the Office of the State Treasurer (0TT), and related to the business of the CRPTF, in particular. She highlighted each appointees' relevant background experience and new responsibilities, including: Francis Byrd, Assistant Treasurer of the Policy Unit, which includes significantly the corporate governance function, financial regulatory relations, and CHET – the State's 529 college savings plan; Laura Jordan, Executive Assistant within the Policy Unit; and David Barrett, Communications Director.

Regarding the master custodian search, Treasurer Nappier provided an update on the recent decision she made. She reminded the IAC that respondents to the Request for Proposal ("RFP") were allowed to submit proposals for the full suite of custody services, as BNY Mellon Asset Servicing ("BNY Mellon") and State Street Bank and Trust Company ("State Street") had done, or for any single mandate, as Deutsche Bank did with regard to securities lending services. Treasurer Nappier announced that after consideration of the feedback from the IAC, she decided to hire Deutsche Bank for the securities lending services mandate pending successful contract negotiations. For full custodial services, she informed the IAC of her decision to request that BNY Mellon and State Street each put forth its best fee proposal, and that the final fee analysis would factor significantly in her hiring decision.

Next, Treasurer Nappier commented on her joint announcement last month with Connecticut Attorney General George Jepsen concerning the U.S. Supreme Court's landmark decision in a securities fraud case against Amgen, Inc. She reported that the OTT was lead plaintiff in the class action litigation that claimed Amgen's management made misleading statements regarding the safety of its flagship products and thereby affected the value of its stock. Treasurer Nappier said that the Supreme Court affirmed a lower court order that the CRPTF may assert claims in the case on behalf of a class of injured investors – allowing the case to proceed as a class action – without first having to prove that the misinformation materially and fraudulently inflated the stock price. She said that the suit had been ongoing since 2007, and the next step was to return to the district court and finish the job of vigorously pursuing recovery on behalf of all investors.

Turning to today's agenda, Treasurer Nappier said that three semi-finalist firms for the Alternative Investment Fund ("AIF") mandate were being presented for the IAC's consideration. She noted that this had been a competitive search process conducted through the RFP process, as endorsed at the May 2012 IAC Meeting. Treasurer Nappier said that nine candidates responded to the RFP, were fully vetted and presented for her consideration, and that her recommendation today culminated in three semi-finalists: Cliffwater, LLC ("Cliffwater"), Hewitt EnnisKnupp, Inc. ("Hewitt") and NEPC, LLC ("NEPC"). She said that the contract with NEPC, the AIF's current consultant expires on May 31, 2013, and that she was therefore requesting the IAC's consideration of a waiver of the 45-day comment period.

Finally, Treasurer Nappier said that she was presenting for consideration a draft amendment to the Investment Policy Statement ("IPS") Appendix A, Section I. She noted that at the December 12, 2012 IAC meeting, she recommended amendments to the IPS to include the Other Post-Employment Benefits ("OPEB") Trust Fund, which she subsequently adopted on January 2, 2013 and the IAC approved on January 9, 2013. Treasurer Nappier stated that this enabled the OPEB Trust Fund to be transferred from the Treasury's Short-Term Investment Fund ("STIF") to the CRPTF's Liquidity Fund ("LF") where it could generate a slightly higher return than the STIF. She noted that this was an interim move, pending resolution of some structural issues and the need to complete the OPEB asset allocation and liability study ("A/L Study") at which time a longer-term investment strategy would be under consideration that best suited the purpose for which the OPEB Trust Fund was established -- to provide a stream of investment income to help finance a portion of the State's health benefit obligation. She said that the purpose of the amendment before the IAC is to incorporate into the IPS a new interim asset allocation in order to allow for allocation of 50% of the assets into a longer-term investment strategy, primarily because the LF was only earning about 1% and the actuarial assumed rate of return was 5.7%. Treasurer Nappier said that this plan was consistent with the allocation used for other CRPTF pension funds with similar-funded status, and noted that the remaining 50% would continue to be allocated to the LF.

Treasurer Nappier then disclosed that several weeks ago this new recommended interim asset allocation plan had been prematurely put into effect without prior IAC approval. She apologized for what she referred to as a rare and inadvertent oversight and took full responsibility for the asset allocation approval misstep. She said she directed her staff to transfer 50% of the OPEB Trust fund assets to the higher return seeking allocation plan now before the IAC, and was solely responsible for initiating consideration of the merits to make that move, albeit not deliberately without proper authorization.

Chairman Budnick stated that by way of disclosure, Treasurer Nappier informed him of the allocation of funds after she determined an error in process had occurred. He further remarked that while substantial money had been earned for the OPEB Trust Fund due to this transfer, the sequence of events demonstrated a need for checks and balances. Discussion ensued regarding the asset allocation process, procedures and the IPS guidelines relative to asset allocation.

Treasurer Nappier highlighted some of the outstanding governance, structural, legal and informational issues -- including insufficient data on cash flows, contributions and disbursements -- associated with the OPEB Trust Fund, noting that she had retained outside counsel to assist in the resolution of some of these issues. She informed the IAC of a recent legal opinion (January 25, 2013) that: (1) clarified her role as Trustee of the OPEB Trust Fund with principal fiduciary responsibility, to which the parties of the negotiated SEBAC agreement concerning the OPEB Trust Fund had yet to confirm as recommended by counsel; and (2) strongly advised the adoption of the companion Declaration of Trust, which provides structure to the Fund to operate, including confirmation of the inclusion of the Fund as a state trust fund among the CRPTF. Treasurer Nappier commented on her lack of confidence that there would be any timely resolution of some structural issues and informational gaps, in particular, which have delayed the commencement of a more suitable long-term investment strategy, and she emphasized her fiduciary responsibility nonetheless to safeguard and grow the OPEB Trust Fund assets sooner than later, but again not intentionally in default of the IPS.

Treasurer Nappier said she continued to believe it would be prudent to adopt this recommended interim asset allocation plan for the time being, and that she spoke to the Chief Investment Officer ("CIO"), about placing as much of the more aggressively managed assets as possible in index funds to minimize fees, should the IAC adopt the recommended plan.

In response to Chairman Budnick, Treasurer Nappier said that further discussion on this matter will be held at the next IAC meeting and added that it was important to remedy the current situation as to whether the assets should be moved from the recommended asset allocation and redeployed back to the LF, or ratified to leave the transferred OPEB money in place. Michael Freeman applauded the Treasurer's efforts at transparency regarding the error with no delay, but emphasized the importance of compliance with proper procedures in order to ensure adherence to the IPS. Lee Ann Palladino stated that the IPS guidelines do allow for deviations to be recommended by the Treasurer and approved by the IAC.

Treasurer Nappier requested the IAC members' position regarding the premature allocation of assets. The IAC ratified the asset allocation and requested further discussion on this topic at the next IAC meeting.

Chairman Budnick called for a motion to maintain the transferred OPEB Trust Fund assets as allocated on March 1, 2013. **A motion was made by Ms. Thomas to ratify the investment of the assets transferred, resulting in leaving the OPEB Trust Fund assets in place, David Himmelreich seconded the motion. The motion was passed unanimously.**

Presentation and Consideration of the Treasurer's Draft Amendment to the Investment Policy Statement Appendix - Other Post-Employment Benefits Trust Fund

Ms. Palladino presented the Treasurer's recommended draft amendment to the IPS Appendix A, Section I, concerning the OPEB Trust Fund, to the IAC for formal review. She asked whether the IAC had any feedback for the Treasurer's consideration. The IAC did not provide any additional feedback. Ms. Palladino indicated that the adopted amendment to the IPS Appendix A will be presented for the IAC's consideration at the next IAC meeting.

Update on the Market, the Connecticut Retirement Plans and Trust Funds Final Performance for the Month Ended January 31, 2012 and the CRPTF Watch List

Ms. Palladino provided background on the CRPTF Watch List policy and reported that currently, only one candidate was on the CRPTF Watch List - Hartford Investment Management Company ("HIMCO"), an Inflation-Linked Bond Fund manager. HIMCO was placed on watch in June 2012 because the CRPTF assets in the strategy represented more than 20% of the firm's strategy assets, thereby exceeding the IPS' guidelines. She said that HIMCO was being assessed in terms of performance, ability to attract strategy assets, and strategic fit within the CRPTF. Ms. Palladino commented that Numeric Investors, LLC was removed from watch due to termination.

Update on the Cash Flow Report for the Teachers' Retirement Fund and State Employees' Retirement Fund

Gary L. Carter, Interim Deputy CIO, presented the Cash Flow Report for Fiscal Year ("FY") 2012 and projections for FY 2013 for the Teachers' Retirement Fund ("TERF") and State Employees' Retirement Fund ("SERF"). Mr. Carter noted that cash requirements were primarily driven by benefit payments, employer sponsor contributions and net portfolio earnings. He said that estimates of pension contributions and benefit payments were obtained from SERF and TERF actuarial reports prepared as of June 30, 2012. He reported that benefit payments for both the TERF and SERF were projected to exceed plan contributions and net portfolio earnings in FY 2013, and added that the cash needed would be generated by the sale of publicly traded securities. Treasurer Nappier remarked that full employer contributions were received and all pension benefits were paid, and noted that contributions are actuarially calculated and are not expected to equal pension payrolls. Ms. Thomas commented that the cash flow report was important because it provided information on the long-term health of the two largest funds in the CRPTF.

Presentation and Consideration of Three Semi-finalists for the Alternative Investment Fund Consultant

Terrence Purcell, Principal Investment Officer ("PIO"), provided opening remarks on the firms that provided presentations for the AIF consultant: Cliffwater, Hewitt and NEPC. Mr. Purcell commented on the due diligence process for the nine respondents to the RFP and delivered an overview of the three candidates.

Mr. Purcell said that Cliffwater was an independent consulting firm founded in 2004, based in Marina Del Ray, California and New York City, and noted that the firm focuses exclusively on alternative investments, encompassing hedge funds, private equity, real assets and real estate.

Regarding Hewitt, Mr. Purcell said that it currently served as the CRPTF general consultant and risk management consultant. He added that Hewitt's alternative investment consulting practice was young, but was also a recognized and respected consultant.

Mr. Purcell stated that NEPC had fulfilled the role of AIF consultant for the CRPTF for the past five years. He said that NEPC was an independent, employee-owned consulting firm headquartered in Cambridge, Massachusetts, and it was an established general consultant that had an impressive infrastructure dedicated to alternative investment.

In response to Ms. Thomas, Mr. Purcell said that all three firms had strengths in both the hedge funds and real assets space. In response to William Murray's question regarding fees, Mr. Purcell said that fees were negotiable and all three firms expressed flexibility.

Presentation by Cliffwater, LLC

Cliffwater -- represented by Daniel Stern and Gabrielle Zadra, Senior Managing Directors, and Jacob Walthour, Managing Director -- made a presentation to the IAC on its alternative investment consulting services. Mr. Walthour provided a brief overview on Cliffwater, which he said was founded in 2004 and was 100% employee owned with no debt or outside investors. Mr. Walthour commented on Cliffwater's experienced staff of 47, which included 36% women and 32% minority employees, and added that 44% of its women and minority employees held executive or senior level official positions. He noted Cliffwater's representative client list that included 32 funds.

Next, Mr. Stern said that Cliffwater's hedge fund team was deep and experienced and included seventeen dedicated people who sourced and covered all the hedge funds within their areas of responsibility. Ms. Zadra then discussed Cliffwater's real asset team, and commented on the collaborative efforts between Cliffwater's hedge funds, private equity, private debt, real assets and real estate teams.

Mr. Walthour commented on the hedge fund strategies that Cliffwater covered. Mr. Walthour next detailed the client services and reporting that Cliffwater provided on a daily, monthly, quarterly and annual basis. With respect to monitoring, Mr. Walthour said that Cliffwater monitored each hedge fund within a portfolio on a monthly basis.

In response to questions posed by Ms. Thomas, Mr. Walthour replied that Cliffwater's review of asset allocation was done at least once per year; more if it warranted. In response to Mr. Thor's question regarding ongoing monitoring, Mr. Stern said that monthly contacts are made to all the fund managers. Mr. Stern and Mr. Walthour both provided case histories that explained how Cliffwater was able to analyze exposure and risk. With respect to hedge funds, Mr. Himmelreich asked what Cliffwater's team learned in the 2008/2009 market dislocation. Mr. Walthour responded that Cliffwater learned it was important to not only track performance, but what factors in the underlying portfolio were generating performance. Mr. Stern noted the importance of understanding the liquidity profile of the investors in the fund. Chairman Budnick asked about performance return expectations for the hedge fund market, to which Mr. Walthour said Cliffwater's expectation for hedge funds were about 7% for the next three years. He noted that the CRPTF was an institutional investor that could negotiate lower fees, better liquidity and a targeted return profile.

Presentation by Hewitt EnnisKnupp, Inc.
Hewitt -- represented by Jeanna Cullins, Peter Hill, Claire Shaughnessy, and Kevin Vandolder, Partners, and Dan Kim, Associate Partner -- made a presentation to the IAC on its alternative investment consulting services. Ms. Cullins provided an overview of Hewitt, and remarked that it was a leading global consultant to institutional investors and the largest consulting firm with over 460 U.S. investment relationships and $1.6 trillion under advisement. Ms. Cullins said that Hewitt had 220 investment professionals and that 35 of those professionals were focused on alternatives. She also commented on Hewitt's history with the CRPTF.

Next, Mr. Hill provided an overview of Hewitt's dedicated and experienced global alternatives team, and said that Hewitt used an integrated approach to alternative investment. Mr. Hill remarked that while absolute return strategies are important, it was also important to consider new and opportunistic ideas and real assets. Finally, he commented on Hewitt's consulting activities for opportunistic investments and new ideas that could benefit the CPTF.

Ms. Shaughnessy then spoke about Hewitt's commitment to Environmental/Social/Governance ("ESG") and investments in minority and women-owned firms, including those within the alternatives hedge fund area.

Next, Mr. Kim discussed how Hewitt worked with its clients regarding strategic planning. He spoke about Hewitt's dedicated team for monitoring and reporting on investments, managers and performance for its clients. Mr. Himmelreich asked what Hewitt learned from the 2008/2009 market dislocation with respect to hedge funds, to which Mr. Hill said that many products had redemption terms that were inconsistent with the liquidity of the underlying assets, an in depth understanding of risk and the need to have proper quantitative systems in place. In response to Chairman Budnick, Mr. Hill said that Hewitt had a positive view for the next three to five years for hedge funds returns and the real assets market. He said that Hewitt was projecting hedge fund returns of 10% to 12% net of fees; and returns for real assets would be more modest.

Presentation by NEPC, LLC
NEPC -- represented by Richard Charlton, Founder and Chairman; Sean Gill, Partner; and Alex Kamunya, Hedge Funds Consultant -- made a presentation to the IAC on its alternative investment consulting services. Mr. Gill provided an overview on NEPC and noted that as an independent conflict-free partnership it was uniquely qualified to serve the CRPTF. He said that NEPC's holistic approach delivered integrated and customized solutions across asset classes. In terms of implementation, Mr. Gill stated that NEPC had worked with the CRPTF for five years to create and implement the AIF.

Next, Mr. Charlton commented on NEPC's corporate citizenship record in Connecticut, NEPC's peer rankings, its diversity profile and its access to the emerging manager market. He reiterated NEPC's commitment to the CRPTF's diversity principles.

Mr. Kamunya commented on NEPC's competitive advantage. He said that NEPC had experience navigating its clients through different market environments. He indicated that NEPC's clients were diverse across public plans, endowments and foundations; and remarked that NEPC provided individualized service based on these clients' individual needs. Finally, Mr. Kamunya commented on NEPC's investment research process, and he discussed its investment committee members. He added that its senior members had nearly 90 years of collective experience evaluating hedge funds and constructing hedge fund portfolios.

In closing, Mr. Gill spoke about NEPC's value proposition for the CRPTF, and he commented on its relative performance as of December 31, 2012. In response to Mr. Himmelreich's questions regarding what NEPC learned during the 2008/2009 market dislocation, Mr. Gill said that NEPC learned the importance of counterparty risk management, the potential danger of leverage, liquidity management and the potential hazards of quantitative models. In response to Chairman Budnick, Mr. Gill said that NEPC expected mid to high single digit returns within the hedge fund space; with respect to the opportunistic space and real assets, NEPC expected low to mid double digit returns; within the broader domestic equity market and NEPC expected returns approximating 7%.

Roll Call of Reactions for the Semi-finalists for the Alternative Investment Fund Consultant

Chairman Budnick requested feedback from the IAC on Cliffwater, Hewitt and NEPC. Ms. Carpenter, Messrs. Himmelreich and Thor, Joshua Hall and Chairman Budnick preferred Cliffwater. Mr. Murray preferred NEPC. Ms. Thomas and Mr. Freeman said that all three were acceptable.

Chairman Budnick called for a motion to waive the 45-day comment period for the three semi-finalists for the AIF consultant. **A motion was made by Mr. Freeman, seconded by Ms. Thomas to waive the 45-day comment period for Cliffwater, LLC, Hewitt EnnisKnupp, Inc., and NEPC, LLC. The motion was passed unanimously.**

Alternative Investment Fund Review as of December 31, 2012

Mr. Purcell reported on the performance of the AIF for the quarter ended December 31, 2012. He reported that roughly 75% of the AIF's committed capital was allocated to the hedge fund-of-funds ("HFOF") program that began in early 2011. Mr. Purcell reported that in the fourth quarter ended December 31, 2012, the HFOF portfolio within the AIF gained 2.70%, outperforming the HFRI Fund-of-Funds Composite Index's 1.34% gain and the 1.95% increase in the broader Dow Jones/Credit Suisse Hedge Fund Composite Index. Finally, Mr. Purcell said that strongest hedge fund sub-strategies during the quarter included credit-related strategies, particularly distressed, as well as event-driven and emerging market equities.

With respect to returns for the calendar year ended December 31, 2012, Mr. Purcell reported that the HFOF portfolio gained 8.5%, having soundly outperformed its benchmark return of 4.8%, and outperformed the broad Dow Jones hedge fund index's 7.7% increase. He said that the four managers generated full-year gains ranging from 7.1% to 9.5%, and Permal recorded the strongest results.

Mr. Purcell commented that this positive performance brought the combined market value of the four Prudence Crandall Funds to approximately $515 million as of December 31, 2012, and he noted that AIF's HFOF program continued to be well-diversified across underlying funds and strategies.

Regarding the real assets portfolio, Mr. Purcell reported increased investment activity by the AIF's two private markets investments, ArcLight Energy Partners Fund V and EIG Energy Fund XV and that their IRR remained at approximately 20% since inception.

Mr. Gill provided additional comments on the AIF's newer investments and on the ongoing Connecticut Horizon Fund search.

Private Investment Fund Review as of September 30, 2012

Mr. Purcell reported on the Private Investment Fund ("PIF") for the quarter ended September 30, 2012. He first remarked that for the rolling twelve months ended September 30, 2012 the PIF gained 10.5% versus the index's surge of 34.9% and that the PIF's three-year return of 13.7%, while high on an absolute basis, underperformed the S&P 500 PME index's, predominantly due to the S&P's substantial increase over the past twelve months. Mr. Purcell reported that over the long term, the PIF's five-year, 10-year and inception-to-date returns of 6.5%, 9.2% and 8.4%, respectively, all surpassed the S&P 500 benchmark, but lagged the targeted return that included the 500 bps premium. He added that the majority of individual vintage years starting in 2002 continued to generate returns above the median for the PIF, and that individual vintage returns from 2005 through 2010, the most recent vintage for which there are meaningful performance figures, each outperformed the median return for that year. He remarked that the level of activity in the private equity industry as a whole was fairly consistent with what occurred in Calendar Year 2011, and that both fundraising results and overall deal volume were running close to flat on a year-over-year basis as the 2012 calendar year came to a close.

Bradley Atkins, of Franklin Park Associates, LLC provided a summary of the PIF's performance by vintage year, and he reported positive returns compared to the peer universe benchmark since 2002. Finally, Mr. Atkins reported median or top-quartile returns for vintage years since 2002, and noted that the 2008 through 2011 vintage years were young and returns were still not meaningful.

Real Estate Fund Review as of September 30, 2012

Cherie Santos-Wuest, PIO, reported on the Real Estate Fund ("REF") for the quarter ended September 30, 2012. Robert Kochis, Principal, and Michael Stark, Associate of The Townsend Group ("Townsend") provided additional comments. Ms. Santos-Wuest reported that the REF portfolio continued to rebuild from the lowest point in the market during the recession in 2009. She said that the portfolio had since rebounded with one-, three- and five-year net returns of 9.6%, 7.5% and negative 6.3%, respectively and that that more recent returns reflected gains from current income and increasing appreciation of assets across the REF. Ms. Santos-Wuest noted that the negative longer-term performance reflected the severe economic downturn in 2008 and 2009. She noted that the current 500+ bps spread between the REF's performance against its benchmark, the NCREIF Property Index ("NPI"), was expected to diminish over the next few years if the current trend continued. Going forward, she said that investments in real estate were expected to provide diversification, current income and appreciation to meet the ongoing needs of the CRPTF.

Mr. Kochis said that the real estate recovery was slow but steady, since the 2008 meltdown, and it was also impacted by the slow job growth. He said that the commercial real estate market had been bifurcated during the last three years with the apartment sector performing well while most other sectors lagged, and added that the gateway markets such as New York, San Francisco and Washington, D.C. had done well while the rest of the country lagged. He added that the CRPTF was in a good position with capital available for investment.

Securities Lending Review as of December 31, 2012

Johnson Shum, Vice President of State Street Bank & Trust ("State Street"), provided a review of securities lending activity for the quarter ended December 31, 2012. Mr. Shum first thanked Treasurer Nappier and Chairman Budnick for allowing State Street to be the CRPTF's securities lending provider for over 16 years, and said that he looked forward to working on the transition program to Deutsche Bank. Next, he reported total earnings at $4 million for the first half of FY 2013, a slight underperformance of the prior six-month period by 14%. Mr. Shum stated that the top three borrowers accounted for 38% to 39% of the CRPTF's borrowing activity and that the top ten borrowers accounted for 84% of the CRPTF's borrowing activity. He reported that the CRPTF's separately managed cash collateral pool as of December 31, 2012 yielded 39 bps. In terms of liquidity, Mr. Shum reported that next-day liquidity totaled 7.19%; nearly one-third of the portfolio was either matured or paid within the next business day and almost one-half of the portfolio had 90-day liquidity. Treasurer Nappier thanked Mr. Shum and State Street Bank for its role in successfully providing securities lending services to the CRPTF.

Short-Term Investment Fund Review as of December 31, 2012

Michael Terry, PIO, reported on the performance of the Short-Term Investment Fund ("STIF") for the quarter ended December 31, 2012. He remarked that the STIF continued its strong performance and returned 20 bps, outperforming its benchmark by 14 bps, which resulted in an additional $1.6 million in earnings for its investors. With respect to the calendar year ended December 31, 2012, Mr. Terry said that the STIF earned 16 bps and outperformed its benchmark by 9 bps, resulting in an additional $4.3 million in earnings for its investors. He reported that as of February 28, 2013 the weight average maturity of the portfolio was 42 days, an increase of 11 days compared to that of December 31, 2012. Mr. Terry said that 62% of the fund's assets were available on a one-day basis, and as of February 28, 2013, the fund had $5.1 billion in assets in a reserve position.

Other Business

Chairman Budnick invited the IAC members to submit agenda items for the April 10, 2013 IAC meeting.

Executive Session

Chairman Budnick called for a motion to adjourn the IAC's Regular Session and enter into Executive Session. **A motion was made by Ms. Thomas, seconded by Mr. Murray that the Investment Advisory Council adjourn the Regular Session at 1:02 p.m. and enter into Executive Session to consider a personnel matter. The motion was passed unanimously.** Ms. Palladino and Christine Shaw, Deputy Treasurer, participated in the Executive Session.

The Investment Advisory Council adjourned the Executive Session at 1:29 p.m. and entered into Regular Session.

Chairman Budnick noted that no votes were taken during the Executive Session.

Comments by the Chairman

There being no further business, Chairman Budnick adjourned the meeting at 1:31 p.m.

This meeting was electronically recorded.

Respectfully submitted,

Denise L. Nappier

DENISE L. NAPPIER
SECRETARY

Reviewed by

Neil G. Budnick

NEIL G. BUDNICK
CHAIRMAN